



City of Santa Barbara
Airport Department

Meeting: 8/21/19
Agenda Item No.10

DATE: August 21, 2019
TO: Airport Commission
FROM: Henry Thompson, Airport Director 
SUBJECT: FBO Redevelopment Project Update

RECOMMENDATION:

That Commission receive a presentation about staff and consultant progress on the FBO Redevelopment Project, including staff deliberations concerning the draft site development plan, review of underlying project assumptions, and an illustrated timeline of the Request for Proposals and FBO selection process that will precede the design and construction phases of the redevelopment.

DISCUSSION:

In early 2019, Airport staff and its FBO Redevelopment Project consultant LeighFisher began work on the next phase of the planning work associated with FBO redevelopment. This portion of the project has been identified in the consultant's scope of work as the Development Plan. That scope of work contains a number of critical analysis components necessary in order to provide order-of-magnitude capital investment estimates in the future Request for Proposals. Or, alternatively, be accounted for in future Airport capital investment plans. As with any construction project on Airport property, and particularly in the Coastal Zone, there are site conditions - hydrological, environmental and archeological, among others - that must be assessed in order to assure the constructability and financial viability of the project.

The following describes the overarching elements of LeighFisher's draft Development Plan that has become a working document for Airport staff:

Existing Facility Inventory – Update tenant facilities and site inventory to reflect existing conditions; presumptions of facilities to remain; others likely to be removed beyond useful/practical life.

Site Engineering Analysis – Identify utility (water, sewage, power) locations and capacity; drainage conditions; floodplain requirements; soil conditions and emergent plant and/or animal habitat.

Validation of General Aviation Demand – The Airport Master Plan contained a forecast of future general aviation operations. These assumptions must be validated over time as they are critical for determining the future demand for FBO services.

FBO Development Concepts – Examine leasehold footprints, create general development scenarios that meet facility requirements identified in the consultant's 2018 benchmarking study.

In addition, LeighFisher completed preliminary financial analyses to help Airport staff understand the likely viability of the leasehold concepts that initially were developed as part of the Airport Master Plan, approved by the City of Santa Barbara City Council in November 2017.

Preliminary Financial Projections with Benchmarking Data – In addition to understanding the trends in general aviation, LeighFisher has a considerable amount of data from FBO development projects in California that shed light on potential capital investment requirements by future FBO tenants (and potentially the Airport), likely annual operating costs, and likely revenue potential for the FBO tenants, and in turn, the Airport.

SUMMARY CONCLUSIONS:

The LeighFisher draft Development Plan has served to bring the complexity of the FBO project into focus for the multi-disciplinary staff group that has been engaged in workshop discussions about the project. Some assumptions that provide the underlying foundation for the LeighFisher analysis were developed as part of the Master Plan process. Some of these assumptions, once they are used as inputs to a larger analysis, bring to light the need to focus attention on what they mean for the development of new FBO capacity. A project as large and potentially risky as the FBO project deserves to have the best possible underlying assumptions at its foundation.

Existing Facility Inventory – The inventory of existing facilities was not entirely accurate due to changes since the Master Plan was developed, and some other facilities should be considered more carefully. For example, the current Airport Administration building is included in the FBO development leasehold, and would need to be relocated. The costs to relocate the Administrative office would need to be charged against future revenues, and may not prove to be financially feasible.

Site Engineering Analysis – The FBO development locations lie, as does much of the airfield in a floodway. Current requirements would require a future FBO to raise the lot level by at least 3 feet. In addition, the soil at the site is very poor, and any development including apron expansion would require environmental permitting and mitigation. Compliant storm water drainage from the site will be challenging.

Validation of General Aviation Demand – There appears to be a stable demand for corporate aviation services, however, general aviation operations otherwise continue to fall below forecasts. This may call into question the current leasehold size and facility

needs. A balance must be struck between the right size leasehold which requires capital investment and the revenue potential of that leasehold.

FBO Development Concepts – The LeighFisher draft provided some hypothetical concepts that will be scrutinized and tested against other possible concepts given some of the changes in demand for general aviation services. Other considerations include whether FBOs should be required to provide some services, such as airfield mechanic services, on their leaseholds as they do today or if they can/should be accommodated elsewhere on Airport property.

Preliminary Financial Projections with Benchmarking Data – The most significant findings in the LeighFisher draft plan were perhaps the financial projections for both capital investment, operating expenses, revenue potential for both the FBOs and the Airport, and the anticipated level of profit for a hypothetical FBO. Unsurprisingly, capital costs were estimated to be high, however, recent experience suggests they may still be underestimated. Operating expenses for the FBOs are also anticipated to be high. As a result, the revenue to the Airport – although an early analysis – fell in the range of \$1.3 - \$1.4 million by the mid-2020s. Current revenues are approximately \$1 million per year. This means that further study is needed to determine the right balance between investments, costs, and revenues to make certain the development makes sense for all parties.

OTHER RELEVANT CONSIDERATIONS:

Commercial air service at the Airport has grown steadily since 2016 and has added four new commercial air carriers serving five new nonstop destinations. Several projects have been underway to increase capacity for commercial air service. Nonetheless, the increase in commercial air service has led to some significant space constraints on the airfield. In particular, the increase in the number of “remain overnight” (RON) aircraft has become extremely difficult to manage with the limited amount of Airport-controlled ramp space available. Thus the Airport is motivated to examine the overall available ramp space in order to accommodate the needs of commercial carriers. This need should be considered in the redevelopment of the FBO leasehold footprints.

The Master Plan also did not consider the 495 S. Fairview Avenue facility (NE Hangars) in any sort of relationship to the future FBO footprints. Given the size of both the hangars and adjacent ramp space, they should be evaluated regarding the role they will play in the future of aircraft management at the Airport.

The Airport’s two current FBOs, Signature Flight Support and Atlantic Aviation are located on the north and southeast perimeters, respectively, of the Santa Barbara airfield. The current Gate 1 Reconfiguration Project will allow larger aircraft to use the Gate 1 boarding bridge, however, it has led to the loss of nearly 50,000 square feet of ramp space at Atlantic Aviation. This FBO footprint has been reduced further from an earlier space reduction for the construction of the Airline Terminal. The total FBO footprint for Atlantic is less than half the size of Signature Flight Support’s footprint on the north side of the airfield. Given the proximity of Atlantic Aviation’s operation to the Airline Terminal,

concern remains about the ability to preserve the usefulness of this site for FBO activities. The FBO project planning should address this concern.

<u>FBO Work Completed</u>	
Nov. 2017	Preliminary leasehold areas defined in Master Plan
Oct. 2017	RFQ issued for FBO Redevelopment Project
July 2017	LeighFisher selected as development planning consultant
Jan. 2018	Situation Analysis/Benchmarking Study commencement
June 2018	LeighFisher Situation/Benchmarking Study complete
Aug. 2018	Project Update for Commission; Scope of development
Nov. 2018	Project Update for Commission: Revised timeline
Jan. 2018	LeighFisher Development Plan commencement
April 2019	Development of process description/graphic depiction
June 2019	LeighFisher Development Plan complete
June-Aug 2019	Airport staff Development Plan reviews
Aug. 2019	Project Update for Commission: Review of baseline assumptions
(est.)Sept. 2019	Revised Development Plan

ILLUSTRATION OF FBO DEVELOPMENT PROCESS

In November 2018, Airport staff presented an overview of the complexity of the FBO Redevelopment Project with the aim of communicating the many due diligence steps required in advance of issuing a competitive Request for Proposals, and the efforts required prior to the execution of contracts, before design, permitting, environmental reviews, and ultimately construction of new facilities can take place. It is a process that will take place over a number of years, and is similar in complexity to the planning and design of the new Airline Terminal.

For some, it may be easier to visualize the process in a more linear fashion, although this particular development project is not likely to be exactly linear. Rather there will be twists and turns on the path from defining the project, projecting the financial costs and returns, to issuance of an RFP and selection of future FBO operators. This is due to the fact that many unknowns will continue exist. This process is shown in a draft illustration attached.

For those who appreciate a table or chart depiction, the major steps forward are summarized below.

FBO REDEVELOPMENT PROCESS	
Early/Mid 2019	Step 1: Site Plan Development*
Mid/Late 2019	Step 2: Financial Analysis/Goals
Early 2020	Step 3: Determine Legal Requirements/Terms
Mid 2020	Step 4: Create the RFP
Late 2020	Step 5: Pre-Qualify Proposers
Early 2021	Step 6: Solicit Proposals
Mid/Late 2021	Step 7: Announce and Negotiate or Defend Protest
Early/Mid 2022	Step 8: Negotiate Terms
Mid 2022	Selected FBOs begin design, permitting and construction phasing

* Concurrent with Step 2

NEXT STEPS:

In September 2019, Airport staff plan to initiate negotiations with the Airport's two current FBOs, Signature Flight Support and Atlantic Aviation, to maintain continuity of operations beyond May 2020. Either incumbent or new FBO operators eventually will be selected to move forward with development and any transition of operations may take place at that time.

PREPARED BY: Business Development/Properties

ATTACHMENT: SBA FBO Development Program Illustration



SBA FBO DEVELOPMENT PROGRAM

PHASE 1: RFP PROCESS

